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MONEY's exclusive new survey reveals mixed emotions when it comes to our personal economy: We're feeling pretty good about where our finances are today but are full of worries about our prospects for the long run.

BY CYBELE WEISSER

ILLUSTRATIONS BY TAYLOR CALLERY

WHAT'S YOUR MONEY STATE OF MIND?

AT FIRST GLANCE the Brough family of Dallas seems to have emerged from the tumultuous economic events of the past six years unscathed. Sole earner Richard, 44, a project manager in software consulting, worked steadily throughout the financial crisis—even landing a new job that pays $45,000 a year more than his old one, which pushed his salary comfortably into six-figure territory. The value of the home he shares with wife Kelley, 46, and two of their four children (ranging in age from 15 to 27) has rebounded to pre-2007 levels, and so has his 401(k). Yet five years after the official end of the downturn, Brough feels anything but confident about his finances. "I'm more obsessed with security and worried about the future than I was during the recession," he says. "Even though I was making less then, our money seemed to go further. I'm anxious about being able to pay for everything we need, anxious about our savings, anxious about staying out of debt."

The results of MONEY's new national survey of more than 1,000 Americans age 18 and older reveal that most people share Brough's concerns: The Great Recession may be over, but a Great Insecurity seems to have emerged in its wake.

True, the majority of respondents acknowledge that their finances are better now than they have been in some time. About three-quarters report that their situation has stabilized or improved compared with a year ago; less than half felt that way when MONEY posed that question in 2009. Indeed, in that earlier survey, only about 10% said they were doing better than the year before, vs. 30% now. And far fewer folks seem to feel as if they're teetering at the edge of a financial cliff: Just 24% say their circumstances have gotten worse over the past year, vs. 51% in 2009. Meanwhile, people are even more optimistic about the year ahead: Almost nine out of 10 expect that their finances will be the same or better 12 months from now.

Yet while the outlook for today and tomorrow has brightened, the day after tomorrow appears decidedly grayer. Six out of 10 respondents own up to being worried about their family's long-term economic security, and even greater numbers register anxiety when getting down to specifics; they're really worried about having enough money for retirement, how they'd manage if a financial emergency arose, whether safety net programs such as Social Security and Medicare will be intact when they need them, and how they'll pay for health care. Moreover, that undercurrent of anxiety cuts across virtually all groups: Young and old, men and women, married couples and singles, even the affluent—all shared the same concerns.

Some of the fretting may be the result of a lingering hangover from the financial crisis. "People are influenced by what is more recent and most vivid, and that is still the recession," says behavioral finance expert Meir Statman, a professor at Santa Clara University in California. "We fear that what happened in 2008 will happen again." The current state of the economy is also cause for continuing concern. "The unemployment rate is still pretty high, and there are a lot of questions about what the government is going to do," says Olivia S. Mitchell, a Wharton economics professor who has studied the impact of the financial crisis on U.S. households. "We're in an environment of pervasive uncertainty that's not going to go away for years."

What is causing the most agita about our financial future—and why? How has that affected the way we manage money? And what are the best steps to alleviate our anxiety and move forward? The answers follow, along with by-the-numbers poll highlights (page 70) and other insights from the 2014 Americans and Their Money survey.

FEEDBACK: *letters@moneymail.com*

PHOTOGRAPH BY STEPHANIE DIANI; WARDROBE STYLING BY KRIS NEX; GROOMING BY TANYA SAMOILIW

WE'VE REGAINED SOME STABILITY—AND FAITH

When MONEY polled Americans about their finances in 2011 and 2009, the nation was hunkered down and wrestling with post-recession panic. Families had pulled back drastically on spending, postponed vacations and major purchases, and even curtailed giving to charity. People were deeply worried about losing their jobs or getting a pay cut, concerned about the eroding value of their homes, and anxious about big losses in the financial markets. Five years ago, when asked whether they'd be better off putting money under the mattress or in stocks, half of the respondents chose the bed.

Now that home values and stock prices are up and unemployment is modestly down, a lot of that fear has abated. This year, for instance, 71% of those surveyed opted for stocks instead of the mattress. Folks are once again comfortable tuning out the daily movements of the market: Only about a third of those surveyed said they were laser focused on financial news, vs. two-thirds in 2009. There's also a greater willingness to stretch for risk: In the most recent poll just over half of Americans said it was more important to keep investments safe than to aim for a higher return. While that's a substantial number, it's down from 64% three years ago. In general, concerns about losing money in the market, declining home values, and being laid off have dropped to close to the bottom of the collective worry list.

Other signs bolster the notion that Americans are backing away from the financial bunker mentality that swept the nation after the recession. A Challenger, Gray & Christmas analysis of employment data, for instance, found that more Americans are quitting their jobs, reflecting growing confidence in their ability to find a better position elsewhere. After years of relative frugality, Americans are loosening the purse strings a little. Sales of big-ticket items such as cars and new homes recently hit six-year highs, and the fourth quar-

• THE STATS: PAGE 70
• STORY CONTINUES ON PAGE 72

JANEL BUTERA
47, Corona, Calif.

Profession: Speech pathologist

How she's faring: Over the past five years, Butera, a divorced mom, has focused on spending less, saving more, and teaching her sons, Shane, 13, and Seth, 12, how to be responsible and resilient when it comes to managing money.

"It hasn't hurt to cut back on the things we were spending on. We figured out what really mattered to us with the recession."

THE *MONEY* SURVEY

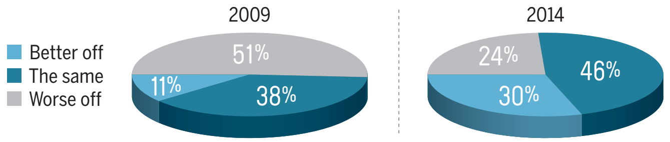
AMERICANS AND THEIR MONEY

We asked over 1,000 adults to tell us how they're feeling about their finances, what worries keep them up at night, and how their money habits have changed since the Great Recession. Here are some of the highlights.

1 HOW ARE WE DOING?

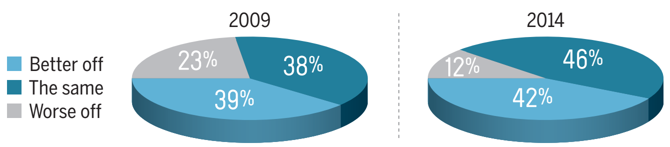
Compared with the post-crash period, more people say they're better off than a year ago, and far fewer feel worse off.

YOUR FINANCIAL STATUS NOW VS. A YEAR AGO



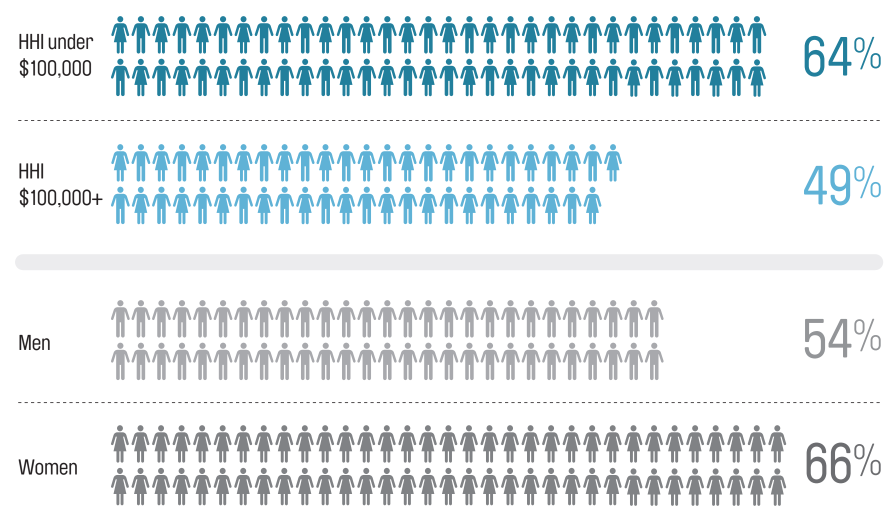
We're even more optimistic about the year ahead.

YOUR EXPECTED FINANCIAL STATUS A YEAR FROM NOW



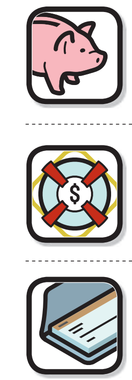
Yet when it comes to our long-term economic security, we're worried—even the affluent. And women appear to be bigger worrywarts than men.

PERCENTAGE WORRIED ABOUT FAMILY'S ECONOMIC SECURITY



Fears about drops in stock and home prices have faded, but other money concerns have bubbled up.

MOST PRESSING WORRIES



1 Having enough money to last through retirement

2 How you'd manage if a real financial emergency arose

3 Living from paycheck to paycheck

2 WHY ARE WE SO ANXIOUS?

Many of us feel we're living at the edge of our means—including a third of folks who earn six figures.

PERCENTAGE WHO SAY THEY...	HHI UNDER $100,000	HHI $100,000+
Are living from paycheck to paycheck	55%	37%
Couldn't handle an unexpected $10,000 expense	66%	38%
Couldn't live comfortably even three months if breadwinner lost job	47%	32%
Would find it tough to get new job if laid off	47%	37%

Another possible cause of strain: Many parents are continuing to help support children 22 and older long into their adulthood.

Adult kids say: 27

25

The age parents think adult kids should be financially independent

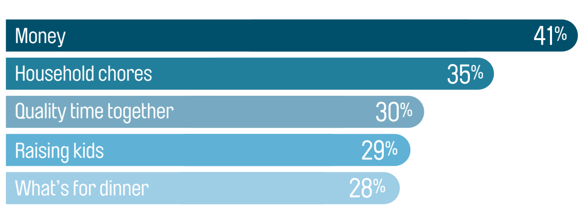
30

Age when parents think adult children *will* be independent

Adult kids say: 32

And this financial stress isn't doing our relationships any good: Money is the top source of marital tension.

MOST FREQUENT ARGUMENTS (AT LEAST ONCE A MONTH)

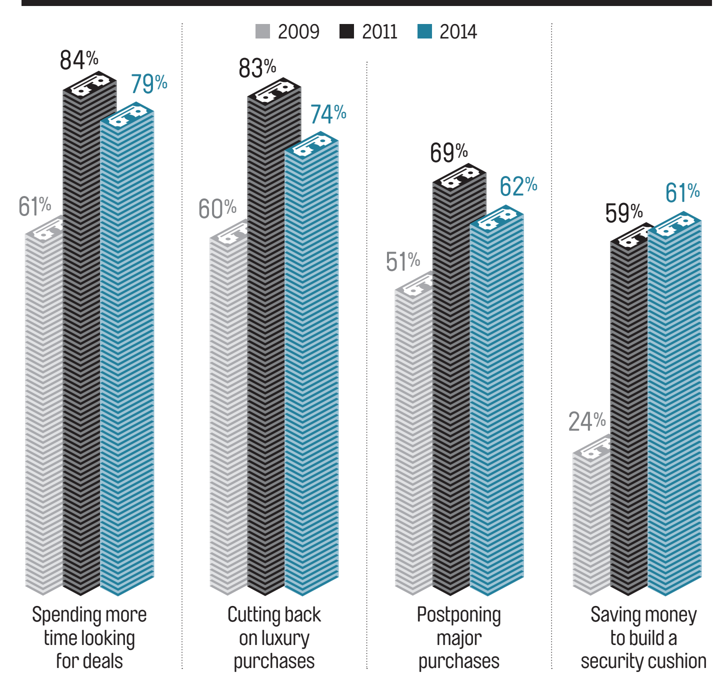


MOST SERIOUS ARGUMENTS

3 WHAT'S REALLY CHANGED?

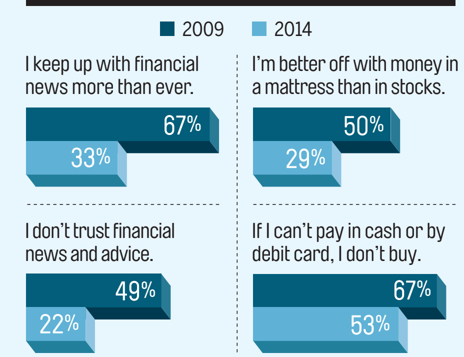
The silver lining in the money clouds: We've kept up many of the good habits we adopted as a result of the Great Recession.

ACTION YOU'VE BEEN TAKING OVER PAST THREE YEARS



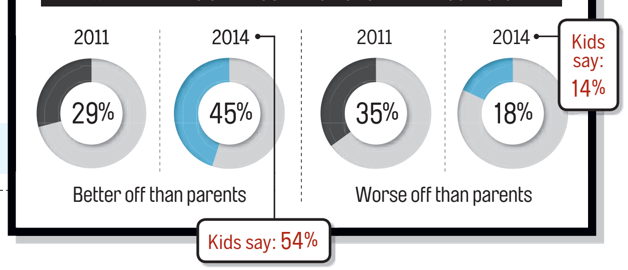
Yet the most defensive attitudes adopted in the wake of the crash have faded.

PERCENTAGE WHO AGREE WITH STATEMENT



One improvement: More of us think our children face a successful future—and the kids agree.

WHAT PARENTS SAY ABOUT KIDS' LONG-TERM PROSPECTS



NOTES: MONEY's Americans and Their Money study is based on a national online survey of 1,018 Americans ages 18-plus conducted Jan. 10–20, 2014, by Marketing & Research Resources. The margin of error is +/– 3.1 percentage points. Supplemental surveys were conducted with 400 parents with children 22 and older who are relying on them for financial support, and 399 adults 18 and over who are relying on their parents for help. HHI: household income.

ter saw the largest quarterly increase in outstanding credit since before the recession.

Among those feeling calmer is Ralph Schmitt, 69, of Fortson, Ga., whose savings fell by a third in the crash. When the recession arrived, Ralph, who had planned to retire in 2008, decided to postpone that step. He and his wife, Kathleen, did not sell any investments, however, and by late 2009, with their portfolio growing again, Ralph felt confident enough to quit for good. "I was still worried about the uneven recovery and our retirement savings," he admits, "but I believed in the resilience of the U.S. economy and the momentum of the stock rebound." Besides, he says, he and Kathleen, 67, who stopped working in 1993, felt they could live on less, having drastically cut back on their spending for travel, fine dining, and theater. Today the Schmitts' portfolio is back to where it was in 2007, and the couple have "kicked up" their spending accordingly. "I wanted to travel extensively with my wife while we still had our health," says Ralph.

JENNIFER AND EDWARD MARTINEZ
38 and 44, Tyler, Texas

Professions: Professor, technical specialist

How they're faring: Edward Martinez, who provides about $250 a month in support to his 22-year-old, says the family feels too squeezed to save as much as they should. So he's changing careers—he's in pharmacy school now—to bring in more income.

> "If we have a bad accident or a health emergency, we're not prepared. We don't even have three months of income saved."

PHOTOGRAPH BY TREVOR PAULHUS; WARDROBE STYLING BY TIFFANY HICKS; GROOMING BY MICHAEL THOMAS

GOOD HABITS HAVE HELD

We may be opening our wallets again, but that doesn't mean we've abandoned the fiscally prudent practices adopted after the crash. Nearly three-quarters of those in the MONEY poll reported that over the past three years they've been cutting back on luxury purchases and eating at home more often—a modest drop from 2011, when consumers were still shell-shocked from the financial crisis, but a big increase from the 2009 survey. Nearly six in 10 say they feel guilty about buying something they don't need, virtually unchanged from three years ago. And six in 10 say they're trying to beef up their emergency cushion, a huge jump from 2009, when less than a quarter said the same. Indeed, the national savings rate, while down from its post-crash peak, is now 4%, about where it's been for much of the past three years and substantially above the 1% rate of the pre-crisis boom years.

Whether we'll be able to maintain that restraint for good, however, is unclear. "We're not back to a status quo environment that would allow you to make those kinds of judgments," says Scott Hoyt, senior director of consumer economics at Moody's. He thinks consumers will let loose eventually: "Underestimate the desire to spend at your own peril," he says. It's particularly tough to assess the long-term trend while the recovery is still so uneven, notes Caroline Ratcliffe, a senior fellow at the Urban Institute, pointing out that some groups, such as high-income baby boomers and retirees whose wealth is tied to the stock market, are feeling more flush than others these days.

Jim Durkis says the improving economy has not changed his habits—yet. The government lawyer and his wife, Deborah, an elementary-school teacher, both 50, were looking to buy a bigger house near where they now live in Albuquerque but decided against the move when housing values in the area declined. Since the recession, the family, which includes Jason, 22, and Kaja, 21, have switched insurance companies, delayed vacations, and cut cable—though they signed up again last summer after Deborah, a former-spender-turned-bargain-hunter, found a good deal. Though both spouses are working and he has a solid pension plan, Durkis says he's still focused on saving. "I'm not convinced there's been a true recovery," he says. "I'd rather have extra money, just in case."

THE LONG TERM STILL LOOKS UNCERTAIN

One reason that so many of us may be sticking to the financial straight and narrow: Once you look beyond the immediate future, optimism fades and it becomes clear that Americans remain deeply worried about their long-term economic prospects.

Consider: In the MONEY survey, nearly two-thirds of those earning less than $100,000 and roughly half of those making six figures said they were worried about their family's economic security; roughly six in 10 Americans were anxious about how they would pay their health care costs. The majority felt behind on their savings, given their stage of life, and almost three out of four were concerned that their money wouldn't last through retirement. Other recent studies have found similar concerns: New research from the Consumer Federation of America, for instance, found that only a third of Americans feel prepared for their long-term financial future.

Why does the outlook seem so scary? Some experts think the events of the past six years have shaken the belief in our ability to accumulate wealth over the long haul. "When the housing market fell, that really scared people," says Michael Hurd, a senior researcher at Rand, who studied the effect of the recession on household finances. Hurd found that a decline in home values caused people to cut back on their spending more than a similar drop in the stock market. In addition, the erosion of trust in our financial system will have a lasting effect, says Tyler Cowen, professor of economics at George Mason University. "If you don't believe that your environ-

COURTNEY CLEMONS
25, Atlanta

Profession: Travel agent

How she's faring: Struggling under the weight of $90,000 in student loans, the 2011 Georgia State graduate relies on her parents to help pay her insurance and cellphone bills and provide a little spending money.

> "You pay all this money to get a degree, then can't find a job that pays well enough to really live on your own. It's tough."

ment will persist, you're not willing to stake out plans," Cowen notes. "For example, you won't buy a home based on the premise that in five years you'll be earning more money. The volatility of the stock market and the government shutdown have only made it harder."

Speech pathologist Janel Butera, 47, is one who isn't counting on anything. A divorced mom of two sons, ages 12 and 13, from Corona, Calif., Butera has made reducing spending and boosting savings a priority over the past five years. Out went the gym membership and vacations; packed lunches and day trips to the beach are the new norm. "The economy as a whole—I don't put a lot of faith in it," she says. "I'm not counting on any retirement help, not even Social Security." Butera is proud that she's managed to rebuild her finances after suffering the twin hits of divorce and the recession but is still anxious that she might one day become a burden to her boys. "I worry about them having to provide for me when I'm older," she says. Her concern is shared by many: In the MONEY poll, one in five Americans with children said they would probably need their kids' financial support someday.

WE'RE LIVING CLOSE TO THE EDGE

One reason we're not feeling so hot: While our 401(k)s may be flush again, our emergency savings are not. Half of the respondents in the MONEY poll confessed to living paycheck to paycheck; roughly six in 10 felt they didn't have enough money set aside for emergencies and didn't think the family's breadwinner would find it easy to get another job if laid off. And almost all people, it seemed, felt like they'd need a higher income than they now earn to really be financially secure—even those who currently bring home a six-figure income (see the graphic on page 76). No wonder that anxiety about how we'd cope with a real financial emergency tied with concerns about outliving retirement savings as the most prevalent money worry.

In fact, money has gotten tighter for many lately. Household income, adjusted for inflation, has dipped 4.7% since the recession, economist Cowen points out. One thing's for sure: All this stress isn't helping our love life. The MONEY poll found that finances are both the most frequent source of spats between couples and the cause of the most serious arguments—far ahead of the second-place finisher, household chores, and snoring, which came in third.

Edward Martinez of Tyler, Texas, is one of the many who are worried about not having an adequate cushion. Though Martinez, 44, made $140,000 working for a military contractor in Iraq after the recession, he now earns less than six figures as a technical specialist with the Smith County appraisal district. He and his wife, Jennifer, 38, a professor at the University of Texas, have an 18-year-old daughter living at home and also help support Martinez's 22-year-old daughter from his first marriage. Right now the family has only about a month's worth of savings, which could easily be wiped out by a run-of-the-mill financial emergency, Martinez acknowledges. He's in the process of getting a pharmaceutical degree, which he hopes will boost his earning power a few years from now.

Like Martinez, many parents these days are helping grown kids, making it even harder to save. More than a third of the parents of children 22 and older in the MONEY survey are helping out at least one of their brood; of those, three in 10 are shelling out $5,000 or more a year. And that's not likely to change anytime soon: In the survey, parents providing such support believed their adult child wouldn't gain full independence until age 30; adult kids supported by a parent put that age at (gulp) 32.

THE KIDS MAY BE ALL RIGHT IN THE END AFTER ALL

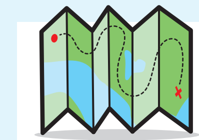
Such findings are in keeping with alarms many experts have sounded predicting that young adults would bear the most lasting scars from the Great Recession, just as the Depression had a lifelong impact on the way

PHOTOGRAPH BY CHRISTOPHER T. MARTIN; WARDROBE STYLING BY BRANDON BRANSFORD; HAIR AND MAKEUP BY STEPHEN MANCUSO

ILLUSTRATIONS BY ROBERT A. DI IESO JR.

DON'T WORRY, BE HAPPY

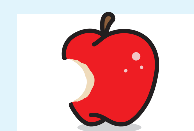
Tired of feeling anxious about your family's financial future? To reduce this lingering economic insecurity, try these strategies.



CREATE A PLAN

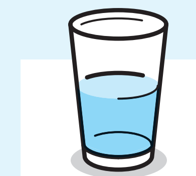
Fueling our anxiety about money is the feeling of being out of control—that economic events you have no hand in will hurt your prospects. Developing a financial plan with specific goals and targets helps you feel as if the control is back in your hands.

Need proof? Gallup reports that 80% of nonretirees and 88% of retirees with such plans said having a plan boosted their confidence that they could achieve their goals. And a Transamerica survey shows that workers with a written plan are 47% more likely to say that they'll retire with a comfortable lifestyle than those without one.



BREAK OFF BITE-SIZE CHUNKS

Lofty long-term goals like building a seven-figure retirement nest egg or saving enough to pay for your kid's BA can feel impossible to achieve. So instead of focusing on big end numbers, set your sights on more manageable interim targets. "Create small steps, each with its own deadline and reward," says Harvard behavioral economics professor Brigitte Madrian. "The more small things you knock off your list, the less anxious you'll feel about bigger goals."



ACCENTUATE THE POSITIVE

"Our brains tend to focus on the negative, so it's a struggle to see what's going right," says Rick Kahler, president of the Financial Therapy Association. Help yourself by taking inventory of what's going well for you moneywise—maybe you've upped your 401(k) contributions, your home's value has jumped, or you're saving money by brown-bagging it at work. Use the list to buoy your spirits when setbacks occur.

PLUMP YOUR CUSHION

The single best move you can make to feel better about your finances: Build up your emergency fund. A University of Georgia study has found that having adequate reserves is a better predictor of financial satisfaction than other moves, such as paying off credit card debt. "It's like having extra insurance," notes Terrance Odean, a finance professor at the University of California at Berkeley.

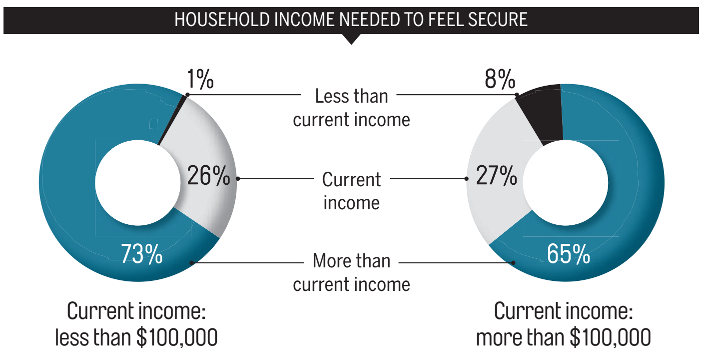
DON'T GET *TOO* RELAXED

The recession made us realize how vulnerable we are, Madrian says. And that awareness led many to cut back on discretionary spending, pay down debt, and save more. "These habits are good," says Odean. "If anxiety motivates people to make these changes and can motivate them to save even more, you don't necessarily want to relieve people of all of it."

—Kerri Anne Renzulli

WHAT WOULD IT TAKE TO FEEL FINANCIALLY SECURE?

Most of us would need more than our current household income—even folks earning six figures.



people who came of age at that time managed their money. Certainly millennials have had a tough slog so far: The job market for this youngest generation of workers is grim (nearly half of those unemployed are under 34, a Demos study has found), and the average student-loan debt for recent college grads is $30,000.

Atlanta resident Courtney Clemons, 25, has a typical millennial story. The Georgia State University grad interned at a travel agency while in school and was hired there full-time after she got her degree. But her earnings, ranging from $25,000 to $35,000, depending on bonuses, aren't enough for her to get by on her own. So her parents provide about $500 a month to cover her car and health insurance, cellphone bill, and some spending money. Contributing to the problem: She has $90,000 in student loans. "The jobs you get after graduation aren't conducive to living on your own," she says. Morley Winograd, co-author of *Millennial Momentum: How a New Generation Is Remaking America,* agrees. "Millennials are a very economically stressed generation, and that stress will last for their lifetime," he says.

Yet MONEY's survey, among others, shows a more mixed picture. Today's younger folks do seem at least as value-conscious as their elders, and maybe even more so: A greater percentage of millennials say they are eating at home these days than they were in 2011, for example, while the numbers had dropped slightly for the general population. And for now at least, younger investors also seem more nervous about the stock market, keeping a greater percentage of their portfolios in cash than older people do (for more on this trend, see page 17).

When it comes to other attitudes about spending and saving, however, millennials seem to be pretty much like everyone else. They are just as likely to covet new, innovative products. And they aren't cutting back on luxury spending or postponing vacations with any greater frequency than their elders either. Nor do they place more importance on saving; almost everyone, young and old, affluent or not, says that saving money is more important to them now than it was a few years ago. And for all the lamentation about how dim the prospects are for this generation, younger folks are surprisingly upbeat about their future: The vast majority (86%) expect to live as well as or better than their parents.

For now, though, while millennials may be having difficulty leaving the nest, no one seems particularly unhappy about it. "Boomers created a helicopter parenting style and went out of their way to be friends with their kids," says Winograd. "Many are delighted to have their adult children home." The kids apparently don't mind either. A recent Pew study found that 78% of adults ages 25 to 34 who were staying with their parents said they were satisfied with their living arrangements.

Some experts believe this turn toward family may be one recession-induced change that truly lasts. Reality is causing more people to let go of the postwar expectation that living standards will naturally just keep getting better, says Stephanie Coontz, a professor of history and family studies at Evergreen State College in Olympia, Wash. Many may end up caring less about keeping up with the Joneses and more about being with the people who matter the most to them as a result. And indeed, almost 80% of the respondents to the MONEY survey say spending time with family is more important than ever to them, an increase of 10 percentage points over the past five years.

Janel Butera is one of them. The speech pathologist and mom felt her financial situation was secure enough last year to cut back her workweek from five days to four, so she went for it. "Sure, I could use the money," she says, "but spending time with my kids is more important." M

Additional reporting by **KERRI ANNE RENZULLI**